

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2004-88

March 31, 2004

MAINE PUBLIC SERVICE COMPANY
Request for Approval of Power Purchase
Agreement With Irving Forest Products –
Pinkham Sawmill

NOTICE OF PROCEEDING

On February 3, 2004, Maine Public Service Company (MPS) filed a Power Purchase and Customer Service Agreement (the Agreement) between MPS and Irving Forest Products, Inc. (Pinkham-Sawmill), pursuant to 35-A M.R.S.A. § 307. Pinkham-Sawmill is MPS's third largest customer, and according to MPS, has a realistic alternative to self-generate.

The term of the Agreement is three years. During the term, Pinkham-Sawmill agrees to not self generate or otherwise bypass MPS's delivery system. By the terms of the Agreement, Pinkham-Sawmill shall pay for delivery service in accordance with the MPUC rate schedule except that the stranded cost component of Rate S-T will be discounted by 75%. The Agreement also provides for liquidated damages in the event that Pinkham-Sawmill self-generates or otherwise bypasses MPS's delivery system during the term.

MPS also states in its filing that "the Agreement requires the Commission's explicit determination that MPS be allowed to recover in rates to other customers any of the discount from Irving Forest Products that MPS is foregoing." Subsequent communications between Staff and MPS have clarified that, in addition to an accounting order that permits MPS to defer the "lost revenue" as a result of the special rate contract, MPS desires a Commission finding that MPS was prudent to enter into the Agreement.

In order to decide whether MPS was prudent to enter into the special rate agreement and to decide the reasonableness of granting an accounting order for the "lost revenue," the Commission will conduct an adjudicatory proceeding. Persons who want to participate in the proceeding as parties must file a petition to intervene with the Administrative Director of the Commission by April 13, 2004. In the petition, each petitioner must describe the ways he or she will be affected by the Commission decision in this proceeding. Each petitioner shall also send a copy of his or her petition to Brent Boyles at MPS.

An initial case conference and technical conference in this proceeding will be held at the Commission on April 15, 2004 at 1:30 p.m. The purpose of the conference will be to rule on petitions to intervene to discuss the orderly processing of the case, and to ask technical questions of MPS officials.

This notice shall be sent to all persons on the service list to the recently concluded MPS stranded cost investigation, Docket No. 2003-666.

Dated at Augusta, Maine, this 31st day of March, 2004.

BY ORDER OF THE HEARING EXAMINER

James A. Buckley